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ABSTRACT

This module on owning and operating an apparel store is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions, and a group activity. Units (and subject matter) in this module are planning your business (customers, competition, and products; helpful personal qualities; how to compete; store's image); choosing a location (choosing the area; questions to ask; renting and leasing a store); being in charge (building an effective staff; selecting job applicants; employee training; store policies); setting prices (turnover; pricing; gross project pricing; markdown/sales); advertising and selling (choosing how to advertise; qualities of a good ad; costs); keeping financial records (cash sales; credit sales: daily cash sheet); buying and keeping track of supplies (inventory selection; supplier terms; store-supplier relations; purchase orders; inventory control); and keeping your business successful (keeping track of profits; how to prepare a profit/loss statement; two year statements). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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Entrepreneurship Training Components

GETTING DOWN TO BUSINESS:

Apparel Store

Module 7

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GETTING DOWN TO BUSINESS:

Apparel Store

Rachel L. Rassen

April 1981

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INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own apparel store?

This module describes people who have started and managed apparel stores. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning an apparel store
- choosing a location
- getting money to start
- being in charge
- buying and keeping track of supplies
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that apparel store owners do.

Then you will have a better idea of whether a career as an apparel store owner is for you.

Before you study this module, you might want to read Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read

- Module 8, Getting Down to Business: Specialty Food Store;
- Module 9, Getting Down to Business: Travel Agency;
- Module 10, Getting Down to Business: Bicycle Store.

These modules are related to other retail businesses you might want to consider.

UNIT 1

Planning an Apparel Store

Goal: To help you plan your apparel store.

Objective 1: Describe the customers, competition, and products of a clothing and accessory store.

Objective 2: List the personal qualities of a successful clothing store owner.

Objective 3: List three ways to help your business compete successfully with other clothing stores.

Objective 4: List one or more legal requirements for operating a clothing store.

JOAN CALDWELL'S "THINK SMALL" APPAREL STORE

Joan Caldwell's friends have always said she has good taste and an eye for fashion. She studied art, fashion design, and basic business and merchandising in high school. For the past three years she worked as a salesperson in a large department store in Oakland; California. At work Joan has a real talent for working with people; she likes sales and working with people. Joan felt that with her experience, talent, and good sense she is the right person to set up a women's clothing store for young women who are both budget-minded and fashion pace-setters.

When she looked up "Apparel Stores" in the Yellow Pages, she found 33 small businesses (excluding the large chain stores) listed in the downtown Oakland area. Ten of these stores were men's stores, four were children's stores, and eight were family stores. Even so, the competition was going to be tough. In order for her store to stand out Joan would need a unique image--a special theme. She decided to concentrate on women's petite and small sizes (Joan wears a size 6 herself).

Joan's next concern was the licensing requirements for her store. She knew that in California, clothing stores must have a seller's permit (also called a sales tax permit) from the California State Board of Equalization. She applied to the Internal Revenue Service to get an employer's identification (EI) number. This number will be used on all federal income tax and social security forms. She also needed a business license from the city government, and had to register with the city assessor's office. In addition, she needed to get insurance and register the name of the store. Joan made sure she understood all the laws and what she had to do. She knew that all her planning would help get her business off to a good start.

Planning an Apparel Store

There are many, many small businesses in America. Small businesses can have as few as one worker (the owner) or as many as four workers. A small business owner is "self-employed." Often a whole family works together in a small business.

There are five main things Joan did when she started planning her clothing store: (1) she decided who her customers would be and the product (merchandise) line she would carry; (2) she decided that running a clothing store was right for her; (3) she took a close look at her competition; (4) she chose a special theme for her store; and (5) she learned about the laws for opening and running her business.

Customers, Competition, and Products

Customers. There are many kinds of clothing stores--women's stores, men's stores, children's stores, family stores, and specialty stores. Once you have decided which type of store you want to open, you should identify your target customers. Everything about your store, including the clothes, sales people, store design, and advertising, must reach your target group of shoppers. Customers like to do business with stores that serve them. But remember, a small store cannot serve everyone. Your success will depend on selling to a distinct group.

Competition. There is a lot of competition in the clothing business. Many businesses fail because of tough competition from discount and department stores. Like Joan, you can easily read about your competition in the Yellow Pages. You can also visit them to find out about their services and prices. For a clothing store, a special service or a dis-

tinctive image will give you a "competitive edge." You will learn more about store image later.

Products. People buy clothes for many reasons. Some people buy clothes for comfort and utility. Other people buy clothes as signs of their politics or success in their jobs. As an owner of a clothing store, your problem will be finding out why your customers like what they do and giving it to them.

Tastes change quickly. It is often hard to know whether you should buy midi or maxi. And should you buy casual or classic fashions, pantsuits or dresses? Changing lifestyles, choosey customers, and unpredictable fashion trends make clothing stores a risky business to get into. But you can succeed if you follow your customers' tastes closely and sell what they like.

Helpful Personal Qualities

Joan thinks she "has what it takes" to open a clothing store. She has worked as a salesperson. She has studied art and fashion design, and she has taken some basic business and merchandising courses. Take a good look at yourself. Some of the qualities that make a person "right" for this business are listed below.

- Sales ability: You should like people, since selling is a "people" business.
- Clothes sense: You must be interested in fashion and have a flair for it. You also should work hard at keeping informed about new fashion trends.
- Good listener: You learn more by listening to customers, employees, and others (your competition, suppliers, and professional advisors) than you do by talking.
- High energy and enthusiasm: In order to succeed, you will have to be an "eager beaver," willing to work long hours and deal with a variety of problems.

- Good business sense: You should not be afraid of keeping records and should be good at organizing yourself and your workers.

All of these qualities are important for a clothing store owner. But the real secret to success is building special, personal relations with customers. Customers appreciate a friendly, low-key approach and an owner who knows their name and their clothing tastes. These are the customers who will come back to your store again and again.

How to Compete Well

Joan decides that her store needs a special image to help her "stand out" from her competition. Below are three ways you can give your clothing business an "edge" over your competition:

- Develop a special store image. Start by identifying your customers and your products. Then build your theme. For example, a bridal or formal wear shop can design a romantic, gardenlike atmosphere. Joan is thinking of decorating her "Think Small" store with miniature furniture. Be imaginative in developing your store image. Anything goes if it catches the attention of your customers and relates to your theme.
- Special promotional events such as fashion shows at community meetings, schools, or charities are ways of telling people about your store. By giving style shows, your store can win a reputation as a fashion leader in the community. Your store will also benefit from this free publicity. Or, instead of putting on the usual fashion show, you may try using strolling models during lunch at a nearby restaurant.
- Special services not offered by your competition can help your store stand out. Here are some examples. Some shoppers may come in with their children. You may want to include a separate children's play area. Offer coffee or tea to your customers while they shop. Provide comfortable chair arrangements so that two or more shoppers can relax and help each other while they make up their minds. Keep a record of the purchases, likes, and dislikes of steady customers. Your customers will remember even the small

things like having their name remembered and being invited back when they are ready to leave.

Special Store Image

Every store has an image. A store's image results from a combination of its physical appearance, merchandise, prices, services, and location. The image of your store should be highlighted in your advertising campaign. Also, give your store a "catchy" name that people will remember. A name "tells and sells." Hire friendly and sympathetic people who have lots of energy and enthusiasm for sales. Decorate your windows and display cases in unusual combinations of fashions and colors.

Legal Requirements

Get in touch with your state licensing agency to learn the state laws for starting your business. Here is a list of things that may be required:

- a seller's permit (also called a sales tax permit);
- an employer's identification (EI) number from the Internal Revenue Service;
- a business license from the city hall or the county government center; and
- if the name of the store is not your name, you will have to register a fictitious trade name with the city or county government.

There are also city or county laws for what you can do to the building and your store front. These laws may affect the lighting in your display windows.

You will need to buy insurance to protect your store. A basic plan may include fire insurance, liability insurance, crime coverage, automobile insurance (for company-owned cars), workers' compensation insurance, and business interruption insurance.

Summary

Clothing stores present special challenges to the business owner. Make sure you have the right personality and know about the business before you start. You can give yourself a "competitive edge" by developing a distinctive store image, by offering special services, and by trying to understand the needs of your target shoppers. There are many legal requirements for opening a store.

Learning Activities

Individual Activities

1. Look up "apparel stores" in the Yellow Pages of your phone book.
   a. Count the number of stores listed.
   b. Decide what type of store you would like to open.
   c. Which stores would probably be your competition?
   d. Call one or more and ask about the special services they provide.

2. Think up a "catchy" name for the type of store you would like to open. Write it down.

3. Why is it important to identify your target customers in planning to open a clothing store?

4. The following are matching items. For each item on the left, choose the best response from the list on the right. Write the letter in the blank space provided.

____ a. The store zeros in on a certain market like large-sized men or petite women.	A.	Women's Store
	B.	Men's Store
	C.	Children's Store
	D.	Family Clothing Store
____ b. Sells to both young and older men.	E.	Specialty Store
____ c. Offers a wide selection of clothing to all people and all ages.		
____ d. Sells infant, toddler, and preteen clothes to both girls and boys.		
____ e. From elegant design stores to tiny boutiques, these stores sell items primarily for women.		

5. Do you have the right personality to run a clothing store? List three personal traits that you think would make you a success.

6. What subjects are you now studying that would help you open a clothing store?

Discussion Questions

1. What customer needs do clothing stores meet?

2. Discuss the reason(s) why clothing stores are risky businesses. What are some of the ways you can make your clothing store successful?

3. Has Joan identified her target customers well? Is "Think Small" distinctive enough that it will stand out from its competition? Why or why not?

Group Activity

You are the owner of a specialty clothing store. A discount store down the street is putting in a line of ready-to-wear clothing. It is running ads that say "Why pay more? Buy it here." To justify your high prices, you decide to run ads that stress the services you offer your customers. Brainstorm a list of services you offer that the discount store does not provide.

UNIT 2

Choosing a Location

Goal: To help you choose the right location for your apparel store.

Objective 1: List three things to think about in deciding where to locate your clothing store.

Objective 2: Choose the best location for opening a clothing store.

JOAN PICKS A LOCATION

Joan planned to locate her "Think Small" store in downtown Oakland, California. Joan knew that the City Council had been thinking about making the downtown area into a walking mall shopping area. But no decisions had been reached yet. She also knew that downtown was the most likely place to find the type of customers who would be interested in the clothes she wanted to sell.

Joan found an empty store. The landlord was willing to lease the store to her, and the rent was reasonable. Joan asked herself if this was the right place to locate her new store. Why was the store vacant? Why was the rent reasonable? What would happen to her store if the City Council did not go through with its plans for the shopping mall?

First, Joan decided to do a market and traffic analysis. She went to the store and sat outside the entrance from 9:00 to 5:30 for three days and just counted. She counted the people who walked by. She counted the number of cars that drove by, and the buses that stopped there. She counted the office buildings around and the people who worked in offices within 300 yards of the store. She also counted the number of other clothing stores in the area (her competition), and made notes of the types of merchandise and services they offered.

After she did all these things, Joan decided the location was a good place to open her store and signed the lease with the landlord. If the city did put in the walking mall, then all the better!

Choosing a Location

Location: What Area to Choose

You will have many choices as to where to open your store. Your choices will include suburban shopping centers, office buildings, downtown or inner-city locations, and neighborhood shopping areas.

Choosing the Area to Locate Your Store

Before you choose a location for your store, you will need to do some homework. First, think about the general area where you will open your store. You should also consider the customers you want and the special services and style of clothes you plan to offer. Pick an area where this type of customer can be found. Study the area and consider the following:

- the neighborhood's potential for growth;
- the income, ages, and occupations of the residents;
- the number of similar stores in the area (your competition); and
- the type of neighborhood--residential, commercial, or industrial.

Questions to Ask When You Choose Your Site

Consider the next list of questions when you are considering a specific site for your clothing store.

- Will your target customers come from high-, medium-, or low-income groups? Are they likely to live and shop near this site?
- What business was in this location before? And before that? (If many businesses were there recently, you may have a hint of trouble.)

- How many other similar stores are in the same block? The area? How much direct competition will you have? If there are other similar stores, will they attract customers to the area because it's considered a specialty center?
- Is there public parking nearby? Is public transportation available? Can the store be seen from the street? (A good location for a store can attract both casual shoppers and walk-in traffic.)
- In what condition is the street or shopping center? Is the street or shopping center in need of repair?
- What about insurance rates for your store at that site? (Locating your store next to an old building may mean high insurance rates; if the building is in bad shape and is a fire risk, that will affect your rates.)
- How much space will you need? Do you think you will want to expand later on? Will you be able to get more space when you need it?
- What are the zoning rules and regulations of the site?

Joan took a good look at her store site before she made her decision. She studied the area and traffic patterns carefully. She counted all the passersby for three days before she made her decision. Her decision was based on real information.

A real estate agent can help you choose a location for your clothing store. There are other sources of information. Community banks, newspapers, census information, Chamber of Commerce and utility company reports, and city and county planning councils can provide information on the area and the specific site you are considering. This advance work will help you choose the best site to locate your store.

Renting and Leasing a Store

Rent is a major expense for clothing stores. When you start looking at store sites, you should consider the rent that is being asked and the rent you can afford.

Rent may be very high in a downtown area or an established shopping center. Shopping centers sometimes add area maintenance fees to the monthly rent. An out-of-the-way location may be less expensive, but your customers may not be able to get to your store. Or you may have to pay more for advertising in order to make your store known.

Rent is normally paid in one of two ways:

- a flat rental rate, which calls for a set monthly amount; or
- a percentage of sales agreement, in which you agree to pay a base amount and a percentage of the monthly sales.

The percentage of sales agreement is often used by shopping centers. Some landlords will also include an "escalator clause" in their rent agreements. This clause allows the landlord to change the rent over a period of time.

Rental agreements are usually very complex. For example, a rental agreement from a shopping center may run from 40 to 60 pages. It would be wise to have your lawyer and insurance agent review the agreement before you sign it.

Summary

A little logic and a lot of advance homework will go a long way when you are looking for a location for your clothing store. A shopping center with walking traffic and plenty of parking will often be the best choice--even when the rent is high. If your target customers are businessmen or career women, downtown and office building areas are ideal. If you specialize in nurse's uniforms, a site close to a hospital or a medical/dental complex would be desirable. Children's clothing stores will succeed in suburban centers or neighborhoods with young families.

All in all, your success will depend on having the right merchandise at the right place for the right people at the right time.

Learning Activities

Individual Activities

1. List five sources of information that can be used in choosing a location.
   a.
   c.
   d.
   e.

2. Mark the following statements true or false. Give a reason for your answer.

   a. Jim Warren has decided to locate his store in a central shopping center in an urban area. This decision should allow him to spend less on advertising.

   _____True _____False Why?_____

   _____

   b. Susan Elder is trying to find a good area for her new store. She has given much effort to analyzing the industry, population, and competition in a possible location. She has not spent time analyzing the parking and traffic patterns. Susan has used her time effectively in selected a location for her store.

   _____True _____False Why?_____

   _____

3. You want to take a traffic count of a particular site where you plan to open a clothing store. An average of 100 cars pass the site every hour. An average of 75 people walk by the site every hour. Explain what further information you would like to get about the site before you make your final decision. _____

_____

_____

_____

4. You plan to open an exclusive women's and men's clothing store in town. There are three buildings where you can open your clothing store.

Site 1: In a central shopping district. There are already two clothing stores within the block. Rent would be high.

Site 2: On the fringes of a central shopping district. Rent is lowest of all sites. The building is two city blocks away from the central shopping district.

Site 3: In an older shopping center. Some of the original businesses in this center are moving into a newly developed shopping mall. Rent is highest here.

Which site would you select to open your store? Give your reasons why._____

_____

_____

5. What are the differences between a flat rental rate and a percentage of sales agreement?

Discussion Questions

1. Why is it important to study the area and the specific location of store sites before choosing one for a clothing store?

2. What type of information can you get from a traffic count? How could this affect your decisions about your store?

3. Think of all the successful clothing stores in your community. Discuss how their location affects their success.

Group Activity

Invite a successful clothing store owner to class and ask how he or she started the business and what has to be done every day to run it. Make a list of questions to ask, including:

a. types of target customers in the community;
b. the competition in the area;
c. how many similar stores in the area went out of business last year, and why; and
d. the reasons for the success of his or her store.

Discuss your findings in the class.

UNIT 3

Getting Money to Start

Goal: To help you plan how to borrow to start your clothing store.

Objective 1: Write a business description of your apparel store.

Objective 2: Fill out a form showing how much money you need to borrow to start your store.

JOAN GETS MONEY TO START HER CLOTHING STORE

Joan listed how much money she needed to open her business. Her list looked like this:

Security deposit and rent (first and last month)	$3,000
License and tax deposit	400
Insurance	400
Advertising and promotion	1,500
Utilities and telephone deposits	300
Furniture, equipment, and fixture costs	2,800
Supplies (cash register rental, receipts)	300
TOTAL	$8,400

She also figured she needed money for three months' salary for one salesperson ($2,400) and about $20,000 for a beginning inventory. Joan knew she would need about $31,000 to open her clothing store. But where would she get the money? Joan had about $6,000 of her own in savings. Her parents were willing to lend her $5,000, and a friend agreed to invest $3,000. Joan had $14,000 to open her store but still needed to find more money! She needed a business loan from a local bank.

Her next step was to prepare a description of her business. The first draft looked like this:

My objective is to open a women's clothing store called Think Small. My target customers will be petite and small-sized women. No other clothing stores in the area specialize in small sized fashions. I will rent a storefront in downtown Oakland, located at 1623 Telegraph Avenue. I will hire one full-time salesperson to help with sales and clerical duties.

Getting Money to Start

All new businesses need money to get started. Your own savings and loans from family or friends will likely be the main sources for your new business. However, you may also have to borrow some of your starting capital from a bank, a loan office, or a government agency. In this section you will learn something about how to apply for money to start a clothing store.

The bank will want to know a lot about you and your business plan before it will lend you money. You will have to show that you are a good business risk. You will be asked to provide the following information:

1. personal background information (a résumé);
2. a description of your business (the business plan); and
3. a statement of financial need.

Preparing a Business Plan

When you ask for a loan, the lender will want to know what kind of store you want to start and how you plan to run it. The lender will be looking at how carefully you have planned your business. This is a time for you to think carefully about what you want to do.

Your business plan should be clearly and simply written. You should include the following information:

1. the kind (and name) of store you want to open;
2. the services you will provide;
3. the area and site of your business, and why you chose it;
4. the target customers (the market) you want to attract;
5. your competition in the area;

6. your management plan and strategy for success; and
7. the number of employees you plan to hire.

Statement of Financial Need

How much money will you have on hand to open your store? How much more money will you need? Joan's list of starting expenses for her Think Small store is an example of how to plan.

To open a clothing store, you may need to put down a fairly large amount of money. This money will cover start-up costs, remodeling expenses, beginning inventory, and three months' operating and personnel costs.

Joan decided she did not have enough money to remodel her store. She decided to put off this expense until later. However, she still needed to design and paint her store and to get the right equipment and furniture.

Joan's list shows about how much money she needed to start her store without major remodeling. After the rent, her largest expense was her furniture and equipment costs. She needed the following items for her store:

garment racks (wall-types and free-standing models)
display cases for small items
special display equipment (handbag tree, belt rack)
mirrors
tables and chairs
hangers
mannequins
decorative accessories
counters and cash register

You may consider either buying or renting equipment and furniture for your store. Renting equipment may help keep start-up costs low, but renting may be more expensive in the long run.

Another start-up cost is salaries for your salespeople. Joan is planning to hire one salesperson at $800/month. She is not planning to take any salary for herself until the store starts making a profit.

However, by far the largest amount of money will be needed to buy the initial inventory. When calculating costs for new inventory, you should remember to look at wholesale costs, not retail ones.

An initial inventory of $15,000 may be reasonable for a specialty store. If you expect many customers, your stock turnover will be high. You will have to restock your inventory often. If you are just starting out, however, it may take a while to attract customers. Your turnover rate will be slower. In general, the slower your stock turnover rate, the more inventory you will need. Otherwise, you may quickly lose the interest of your customers--they will get bored seeing your small selection of the "same old things." Joan decided to buy a little more inventory than she may need at first. We will talk more about inventory and stock turnover in later units.

Joan's list is actually a very simple list of expenses. You will have to do more planning when you start to figure out how much money you will need to open your clothing store. Here is Joan's completed statement of financial need.

STATEMENT OF FINANCIAL NEED

Starting Expenses		Money on Hand	
Salaries (3 months)	$ 2,400		
Building & Property	3,000		
Repairs & Renovations		Cash on Hand	$ 6,000
Equipment & Furniture	2,800	Gifts or Personal Loans	5,000
Supplies	300	Investment by Others	3,000
Inventory	20,000	TOTAL	$14,000
Advertising	1,500		
Insurance	400		
TOTAL	$30,400		

TOTAL STARTING EXPENSES	$30,400
TOTAL MONEY ON HAND	14,000
TOTAL LOAN MONEY NEEDED	$16,400

The statement forms you will use may be different. The items listed may not include all your needs. For example, Joan plans to remodel her store at a later date, so she has not included this expense in her statement. You may want to remodel before you open your apparel store. You will then need to list this cost on your statement of financial need.

Summary

When you apply for a loan to start your clothing store, you will need to provide a business plan and statement of financial need. A business plan gives you a path to follow, and it will give your banker the details of your business. The bank will need to know this to understand your situation if it is to lend you money. As a general rule, banks ask you to provide about half the start-up money. The exact amount of money you will need to start a clothing store will depend on the cash you have available, the selling space of the store, the store's operating expenses, and your planned sales. This figure will be different for different types of clothing stores.

Learning Activities

Individual Activities

1. Review Joan's case study. List three other items Joan could add to her business description. Describe how these items could help Joan's chances of getting a loan.

2. What are Joan's total starting expenses? How much money does she actually have on hand? How much will she need to borrow?

3. Think of a store you would like to open. What kind of expenses will you have? Fill out the following statement of financial need. Include any special categories or explanations you think are important, and estimate how much money you will need. Assume you have $17,000 of your own to start out.

STATEMENT OF FINANCIAL NEED

Starting Expenses		Money on Hand	
Salaries	$		
Building & Property			
Repairs & Renovations		Cash on Hand	$
Equipment & Furniture		Gifts or Personal Loans	
Inventory or Supplies		Investment by Others	
Advertising		TOTAL	$
Other			
TOTAL	$		

TOTAL STARTING EXPENSES	$
TOTAL MONEY ON HAND	
TOTAL LOAN MONEY NEEDED	$

Discussion Questions

1. How do you think a lender would react to Joan's business plan?

2. In addition to her business plan and statement of financial need, what other kinds of information would a lender want to know before giving Joan a loan?

3. What are the expenses involved in operating a clothing store? In your opinion, what is the most important expense? How will this affect the success of your store?

Group Activity

Go to a local bank, finance company, or government loan agency. Ask about its procedures for applying for loans. What conditions does it put on loans? What information on the loan application is considered most important? Get a blank loan application and share this form with the rest of the class.

UNIT 4

Being in Charge

Goal: To help you select and manage the people with whom you work.

Objective 1: Decide how to divide the work of your apparel store among the employees.

Objective 2: From a list of job applicants, pick the best salesperson for your clothing store.

Objective 3: Describe one kind of training you might give your employees.

JOAN TAKES CHARGE

Joan knew she could not run a store alone. What would she do if five or six customers came into the store at one time? From her own experience as a salesperson, she had learned that successful sales depend on building personal relations with customers. Alone in the store, Joan would not be able to give her customers the individual attention that would make her store a success. Her next step was to hire a salesperson who would work with her in the store.

Joan wrote a job description and made a list of interview questions. She knew the qualities of a good salesperson from her own past sales experience. Joan ran an ad in the local newspaper.

In one week, Joan interviewed five applicants. But she was critical. None of them fit in. They just were not right enough for her store.

Then Joan learned that Peggy had just been laid off from her secretarial job. Peggy had always been one of Joan's closest friends. Joan knew that she and Peggy would be a dynamite team. She worried a little, however, about Peggy's lack of sales experience, and also Peggy's height (Peggy is 5'8" tall). But she decided to hire Peggy anyway. Having a friendly salesperson was more important than having someone small. She would teach Peggy how to be a good salesperson.

Owning and running a clothing store involves many responsibilities. One important responsibility you will face is hiring and managing your staff. In this unit you will learn about:

1. your responsibilities in managing and supervising salespeople;
2. ways of recruiting and hiring salespeople; and
3. ways of training your employees.

Building an Effective Staff

Having a good group of employees--in your case, salespeople--is necessary for any business to succeed. Some of the ways good salespeople can help you are listed below. They can:

- sell skillfully to customers to maximize the amount of sales;
- provide customers with useful suggestions that will improve customer satisfaction;
- assure that customers' needs are met so that returns are kept low;
- develop a loyal following of customers who will return to your store and will send their friends; and
- keep financial and inventory records so that losses through carelessness are kept low.

Joan was aware of her limitations. She knew she could not handle a store alone. She needed a capable assistant who would work well with her and her customers. She knew that hiring the right person was very important.

Selecting Job Applicants

You will have to screen job applicants carefully. You will usually want to hire well-qualified and reliable salespeople. The reputation of your store may depend on doing this job well.

When you screen people for a job, have them

- fill out a detailed job application;
- come in for a personal interview; and
- give you a list of personal references.

First, make a list of the qualities and attitudes you are looking for in your salespeople. Write a detailed description of the job to be filled. Make sure the applicants get a copy of this job description--it tells them what is expected.

Then talk to the applicants--make an effort to find out what they are really like. Remember, the job they are expected to do involves dealing with people in situations where first impressions are critical. Are they polite? Well groomed? Are they able to respond to customers in a helpful and cooperative way? Do they know fashions and trends? Are they aware of the basic steps in selling? Can they do basic math (to operate the cash register)? Let the person talk. When you listen, consider how you would react as a customer.

Where will you find these people? Many clothing stores depend on walk-ins or referrals when hiring people. Other sources are the classified ad section of your newspaper, employment agencies, or placement centers at schools with distributive education or marketing courses.

Providing Training for Employees

Some people are "naturals" when it comes to selling. Other people need to be taught. Go over the basic steps of selling with all new people, at least briefly:

- Approach--the salesperson gets the attention of the customer.
- Determining the need--the salesperson finds out what the customer is looking for.
- Presentation--the salesperson turns the customer's interest in your merchandise into a desire to own them.
- Overcoming objections--the salesperson listens to the customer's objections and uses them to strengthen his or her presentation.

- Closing the sale--without being too pushy, the salesperson assists the customer in finally deciding to buy the merchandise.

The development of a good sales approach requires skill and experience. To start off with, however, the salesperson must have the right personality to make him or her convincing.

To develop a friendly atmosphere for customers, encourage your salespeople to be interested in their customers' needs. Shoppers are often confused by changing styles and colors. They often need the expert advice a salesperson can offer. Salespeople should act as fashion counselors and help your customers, not just get them to buy merchandise. Regular staff meetings to discuss problems and new merchandise are helpful in keeping the sales team well informed and enthusiastic.

Store Policies

Give your staff enough training and instruction to allow them to carry out their jobs. In addition, give them written information on your store policies so that everyone will know what you expect of them. Include such things as employment requirements, work assignments and how they are made, dress code, fringe benefits, working hours, and over-time compensation. Then, when everyone knows the "rules and regulations," follow them in a business-like way.

Summary

Building and managing an effective sales staff can help your store grow and profit. Interviewing and hiring job applicants, providing training when necessary, and defining your store policies are basic to the success of your store.

Learning Activities

Individual Activities

1. List the five steps in the basic sales approach.

2. Consider Joan's decision to hire Peggy. What were her reasons? What are the advantages and disadvantages of hiring Peggy as a salesperson in Joan's "Think Small" store?

3. Describe how you would handle the following customers:
   a. Impulsive Irma: "I want to buy some green stationery; no, I want tan stationery. They look like the same quality paper. What do you think?"
   b. The Know-It-All: "That fabric is not good enough and it's synthetic. I buy only pure materials. I know what's good and what isn't."

4. A good clothing salesperson suggests other items that a customer might need to complete his or her outfit. List items related to each of the following:
   a. Lipstick
   b. Shoes
   c. Casual pantsuit
   d. Suede coat

5. Are the following statements true (T) or false (F)?
   ____ a. The store owner delegates responsibilities to the employees and takes what is left over.
   ____ b. Job candidates for small stores need not fill out applications.
   ____ c. It is more important for a salesperson to have an interest in people than a strong background in bookkeeping.

Discussion Questions

1. Ms. Fussbudget is looking for a scarf to give to her niece. She approaches the nearest salesperson and asks where to find scarves. The salesperson answers, "I really don't know, but I think they might be near the back of the store."

   Could the directions be given more clearly? How? What kind of impression do you think the customer has of the store?

2. Store policy states that two forms of identification must be shown when cashing a check. A customer writes a check and says she has only one form of identification. What should you do?

3. The law says bathing suits may not be returned or exchanged. A customer who has traded in your store for many years wants to return a bathing suit that doesn't fit. What do you say?

4. You own an exclusive men's clothing store. You have just interviewed a job applicant. Your impression is that he is very well qualified for the job. However, one of his references tells you that he is not very reliable--he often comes in late and frequently calls in sick. What should you do?

Group Activity

Selma Dewitt has applied for a sales position in Joan's "Think Small" store. Her application shows that she has had four years of sales experiences, and her references are good. However, she has been unemployed for the past year because of "various health problems." Role play Joan interviewing Selma.

UNIT 5

Buying and Keeping Track of Supplies

Goal: To help you plan your inventory buying and develop a stock control system for your clothing store.

Objective 1: Select a merchandise supplier, decide how much you will buy, and develop a schedule for ordering the supplies.

Objective 2: Compute the total amount of your purchase order for your store.

Objective 3: Compute the amount of inventory on hand on a certain date.

JOAN TRIES TO CONTROL HER INVENTORY

Joan had budgeted $20,000 for her initial inventory. Now she had to decide exactly what her store was going to sell and where she was going to get her merchandise. Where would she find a reliable supplier for her clothing lines?

Burnstein and Garza Fashions Supply, Inc., located in Los Angeles, specialized in small-sized women's fashions. She met the owners. Based on the fashion advice they gave her, Joan chose 13 different dress styles, four different styles of skirts, seven different blouse styles, and six styles of women's slacks. Several other companies also agreed to supply her with merchandise. But most of Joan's initial inventory was bought through Burnstein and Garza.

Burnstein and Garza were very understanding and sympathetic to Joan's needs as a new store owner. They agreed on the following wholesale sales terms: Joan would pay $20 for each dress, the skirts would cost her $14 each, the blouses would cost $17 each, and the pants would cost her $11 each.

Joan considered the amount of space she had to store her inventory. She wanted to buy enough inventory so she wouldn't run out too quickly and have to reorder, but not so much that she would be overstocked. Joan decided to buy twenty of each style--in assorted colors and sizes 4, 6, 8, and 10.

On August 12th, Joan filled out a purchase order form. Burnstein and Garza agreed to deliver the merchandise by truck by September 1--one week before Joan's store was to open. The cost of shipping the clothing was estimated at $2,000. Joan's payment to Burnstein and Garza was due by the end of November.

Buying and Keeping Track of Supplies

Most of the initial investment in your business will be spent on inventory--the clothing and accessories that you will sell in your store. In this unit you will learn some of the basic steps in choosing your inventory as well as in managing it once you've bought it.

Inventory Selection

Intelligent buying is the key to the success of your clothing store. You must find and buy--at a favorable price--clothes that will appeal to your customers. Selecting exciting, fast-selling clothes will keep your cash register ringing! But if you buy too many, you may not be able to sell everything.

Fads and fashions come and go very quickly. Figuring out what customers will buy takes sales experience, fashion instinct, good advice, and good guessing. Never buy merchandise according to your own tastes! Customers don't care what you like. They will want to buy what they like.

When you buy your inventory, choose carefully. Don't buy "a little of this and a little of that." Your store may end up looking like a junk store. Buy in depth to give your store a coordinated look. In other words, order a fairly small number of styles--in a wide variety of colors and sizes.

Intelligent buying involves buying the right merchandise for your customers:

- in the right quantity (not overstocking);
- of the right quality;
- at the best prices; and

- from reliable suppliers who will give you the best service and prompt delivery.

Joan listened to her suppliers when she bought her inventory. They gave her good prices on the clothes, which she planned to pass on to her customers. But she bought only small sizes, and a set number of each item. Joan was thinking only about her target customers; she forgot about the casual customers who might wander into her store. She didn't realize that some items sell faster than others. These are things she will learn when she opens her store.

Supplier Terms

When you find a supplier for your clothing store, there are four things to consider: when merchandise is to be shipped; how merchandise is to be shipped; how much time you have before you pay the bill; and the discount you will be given for paying in cash.

Clothing suppliers generally offer "8/10 EOM (end-of-month)" terms. This means that stores that pay within ten days after the end of the month may subtract 8% from the bill. But if your payment is late, you will owe the full amount at the end of that month. For example, if you pay an invoice (a dated purchased order) dated October 5 by November 10, you can take an 8% discount. If you wait until the end of the month, you will have to pay the full amount.

You will often be responsible for paying to deliver the merchandise from the supplier's warehouse to your store. Studying shipping methods and rates will let you choose an economical delivery method that will get the goods to you on time. You may consider trucks, the Postal Service, United Parcel Service, railway, or air express. Your choice will depend on cost, how fast you need the merchandise, the size of your order, and delivery distance.

Delivery time varies depending on the merchandise type, the shipping point, and delivery method. Some deliveries will take only a few days. Others, especially imported items, may take weeks or months. You will have to plan your buying schedule carefully to avoid having no inventory to sell, or too much merchandise.

Joan's order will be delivered by truck. It will cost her an additional $2,000 above the wholesale cost of the clothes. The delivery is scheduled to arrive one week before the store opens. However, this does not give her very much time to organize her stock.

Store-Supplier Relations

The number of suppliers you buy from should be small. Suppliers will favor their more loyal customers, especially if they know you personally. They may give you preferential treatment in delivery time and merchandise selection. They will be more helpful if, for any reason, you want to return an order. You will hear tips on fashion "from the horse's mouth" as well as news on special bargains.

Purchase Orders

You now have enough information to fill out a purchase order. The form Joan used to record her purchases is on the next page. The form you use may be slightly different. The important thing is that you keep accurate records of your purchases and the money you spend on your inventory.

PURCHASE ORDER

TO: _____ DATE: _____

_____ PURCHASE ORDER NUMBER: _____

_____ REQUIRED DELIVERY DATE: _____

SHIP TO: _____ SHIP VIA: _____

_____

_____

Quantity	Unit	Description	Unit Cost	Total Cost

TOTAL: _____

Signature: _____

Inventory Control

Good management of your store's inventory is essential to follow fashion changes and to give your customers what they want. A stock control system will let you plan for future purchases. You will be able to see what items are fast sellers and need to be reordered. You will also be able to recognize the slow moving items. You may not want to reorder these items.

A stock control system will also tell you how many of a specific item are on hand at any time. You will be able to plan your purchases depending on the size, color, fabric, and style of the items you have sold.

A stock control system can be based on either counting stock or counting sales. The most commonly used system is to print the merchandise information on sales tags and to remove these sales tags as each item is sold.

You can count unsold stock occasionally--perhaps once a week. Or you can count the number of sales tags daily to see how much you've sold.

Your decision will depend on the kind of clothing you carry and what is easier for you.

A side benefit of stock control records is that they are helpful in managing and training your salespeople. They are tools you can use in training an employee to care for details, such as counting stock and keeping records of sales.

Store owners must keep accurate and up-to-date records of their purchases and sales. Joan filled out inventory cards like the one below every day. This form may not exactly suit your needs. But the important thing is to keep records of your purchases and sales so that your business will run smoothly.

INVENTORY CARD

Item _____

Supplier _____

Reorder Point _____ Order Amount _____

IN		OUT		AMOUNT REMAINING	
Date	Amount	Date	Amount	Date	Amount

Summary

In this section you learned about the basic steps involved in buying and keeping track of inventory. It is important to find reliable suppliers. Good relations with your suppliers will contribute to the success of your store. It is also very important to keep accurate and up-to-date records of incoming and outgoing inventory. Using purchase orders and inventory cards are good ways of keeping track of your merchandise. You will have an accurate record of what is on hand, what has been ordered, and what has been sold.

Learning Activities

Individual Activities

1a. One dress Joan ordered from Burnstein & Garza was the "Misty" Classic Shirtwaist (wholesale price: $20). She asked for four of these dresses in size 4 and in size 6; and six dresses each in sizes 8 and 10. She wanted an assortment of colors in each size. Using any needed information from the case study, fill out the purchase order below for this part of Joan's order. (Put the ordering information for each size on a separate line.)

PURCHASE ORDER

TO:_____ DATE:_____

_____ PURCHASE ORDER NUMBER: _____

_____ REQUIRED DELIVERY DATE: _____

SHIP TO:_____ SHIP VIA:_____

_____

_____

Quantity	Unit	Description	Unit Cost	Total Cost
		TOTAL		

Signature_____

b. Joan was given 8/10 EOM terms. If Joan pays this portion of her bill by November 10, how much will she owe her supplier?

2. Consider the type of store you would like to open. Make a list of the types of clothes you would include in your opening inventory. Check your Yellow Pages and list some of the suppliers you would contact to purchase your initial inventory.

3. Call one or more of the following: your local post office, an air express service, and a trucking service. Find out how much it will cost to ship 300 pounds of merchandise from Chicago to your town. Are there any special requirements? How long will it take for the shipment to arrive?

Discussion Questions

1. Based on Joan's initial order, what merchandise do you think she expects to be the best selling items in her store? The slowest selling?

2. Has Joan planned carefully for the inventory she will need to open her store?

3. Joan did not choose the colors of the merchandise lines. She decided to let her suppliers take responsibility for this since they knew "the latest" fall colors. Was this a wise decision on her part?

Group Activity

Discuss the advantages of a stock control system. See if you can come up with a better inventory system than the one Joan has set up.

UNIT 6

Setting Prices

Goal: To help you decide how to set prices for your merchandise.

Objective 1: Pick the best price for selling your merchandise.

Objective 2: Define stock turnover and describe how it affects your pricing policies.

WHAT SHOULD JOAN CHARGE?

The merchandise arrived on time! Joan and Peggy got busy putting sales tags on all the clothes. Joan did a little detective work and figured out that her competition averaged a 45% markup on all items (some markups were less, and some markups were more). This seemed like a reasonable figure for her too. Think of all the money she would be making!

Joan marked up the price of the clothes in the Think Small store 45% over the wholesale price. Some items that Joan thought would be fast sellers were marked up less. Joan knew that the prices should have a psychological appeal. Each price tag ended with 99¢ instead of the nearest dollar ($15.99, for example, instead of $16.00). But Joan also realized she needed a gimmick to attract people to her new store. She decided to have a "Grand Opening Sale."

To advertise this opening sale, Joan decided to mark down all the dresses, since the dresses were the most expensive items in the store. But only the dresses were marked down. Her Grand Opening Sale advertised 20% off on all dresses. Joan and Peggy took all the price tags for dresses and in red pen crossed out the 45% markup price, and wrote in a price that was 20% less. This way customers saw the original price and how much they would save.

Setting Prices

In setting the prices of the clothes in your store, there are four main things to think about:

- the wholesale cost of your merchandise;
- your labor and operating costs;
- the amount of profit you want to make on your sales; and
- your competition.

In this unit you will also learn how stock turnover affects the prices you set and when to mark up and mark down prices.

Turnover

Stock turnover is the number of times a store's inventory is sold and replaced. Stock turnover is based on a given time period--usually a year's time.

You will want to have a fairly rapid flow of goods into and out of your store. Stock turnover is one sign of a successful clothing store operation.

Most stores try to sell their merchandise as fast as they can. This way they improve their return on the money they have invested. They will have ready cash to buy new merchandise and to improve their inventory.

Here is how to figure your turnover rate:

- $\frac{\text{Number of goods sold during a period}}{\text{Average number of items carried in stock during that period}}$ = turnover rate per period

The turnover rate for men's stores ranges from 2 to 2.5 times each year. Women's clothing styles change with each season. Therefore, the turnover rate for a women's clothing store should average 3 to 4 times per year.

Specialty stores are a little bit different. For example, a women's store that concentrates on dresses and sportswear--fast-selling items--might have 6 to 8 stock turns a year. Coats and lingerie, on the other hand, are generally slow-selling items. These specialty items would "turn over" only 2.5 to 4 times a year.

A low turnover rate will tell you that your money is tied up in slow-moving merchandise. When you have a low rate, you should take a close look at your pricing policies. For items that are naturally "slow movers," you should make your mark-up a little higher to make up for your "tied up" investment. For items that tend to move more rapidly, you probably should take a lower mark-up to get people to buy even more rapidly. Joan expects initial inventory to sell quickly. When all the clothes are sold, she will order more fashions from the suppliers.

Pricing

A basic step in making a profit is selling your merchandise for more than it cost you. The difference between the wholesale cost of the merchandise and the retail price is called markup. When you figure the total cost of your merchandise, don't forget to add transportation costs! For example, if your wholesale costs were $20 per item and the shipping charge is $.50 per item, your total costs for that item are $20.50.

The selling price you set for items should also cover operating expenses. Operating expenses include:

- rent payment for the store;
- salaries of salespeople;
- advertising and promotion costs; and
- utilities, insurance fees, and taxes.

At the same time, your prices must be competitive. You've already found out your competition's prices. Keep these in mind when you set your own prices. Customers will not be happy paying higher prices for the same merchandise unless extra services are offered. These services may include free delivery, gift wrapping, or extra help from salespeople.

Gross Profit Pricing

A common pricing strategy is called gross profit pricing. The gross profit is the amount you add to the wholesale cost of your merchandise. For example, if the cost of an item is $30.00 and you sell the item for $54.50, your gross profit is $24.50, or 45% of your selling price.

You can use the following formula to calculate your gross profit percentage:

- $\frac{\text{Selling price - wholesale cost}}{\text{selling price}}$ = gross profit percentage

  or $\frac{54.50 - 30.00}{54.50} = \frac{24.50}{54.50} = 45\%$

The gross profit here is $24.50, but the owner's net profit is much less than that. The operating expenses must come out of the gross profit. For example, if your gross profit is $24.50 and your operating expenses are $18.50, then your net profit is only $6.00.

Markdowns/Sales

Keep in mind that clothes aren't like wine. They don't improve with age. If your merchandise is not selling, you may consider marking it down for a quick sale. If you hold on to slow-moving stock or put it away for next year, you will only freeze the money you will need to buy newer, more fashionable inventory.

Many store owners have special racks to handle their markdowns. Other stores may have two to four big sales each year. There are many different kinds of sales. Here are some examples:

- grand opening sales;
- pre-season sales;
- end of season sales;
- holiday sales; and
- clearance sales.

Also, some items may be priced below your usual markup. These items may be used to attract customers to your store. For example, if a shirt that is usually priced to sell at $15.99 costs you $8.00, you may consider offering a $5.00 discount. Your gross profit will be much less than usual.

If the shirt has been around for a long time, you may even consider selling it at $6.99--one dollar below cost. Although you will not be making money, you will clear room for new merchandise, and you will be making one surprised customer very happy.

Summary

Stock turnover and inventory control go hand in hand. Stock turnover tells you how many times in a given period inventory is replaced. Inventory control tells you what and how many items are sold and what items need to be purchased or reordered from the supplier. A well planned pricing policy should be competitive and help your store show a good profit. But pricing policies should be flexible and include planning for sales. During a sale, the prices on clothes will be lower than usual. You will not make as much profit, but you will attract customers to your store and clear out your inventory.

Learning Activities

Individual Activities

1. Calculate the markups or prices in each of the examples below.
   a. Cost $6; markup $3. Find (1) retail price and (2) gross profit percentage.
   b. Retail $15; markup $6. Find (1) cost and (2) gross profit percentage.
   c. Cost $3.50; retail $7. Find (1) markup in dollars and (2) gross profit percentage.

2. Define the terms gross profit and net profit.

3. List five operating expenses that will affect your net profit.

4. The clothing store around the corner carries a line of merchandise that is similar to yours, but sells it at a lower price. List three things you can do to compete with these prices.

5. Describe four situations in which you might consider reducing the selling price of your merchandise. Why would this help your store?

Discussion Questions

1. Identify a general type of clothing store. Discuss the stock turnover problems that type of store usually has.

2. What are the disadvantages of a slow turnover rate? Discuss and list the reasons why it may not be wise to keep old, unsold merchandise around.

3. List and discuss the problems a store owner might have that will reduce his or her profits.

4. Discuss the advantages and disadvantages of pricing items below the usual profit margin. What are some reasons store owners would do this?

Group Activity

Bring in sale ads from your local newspaper. For one week keep a file of these ads. At the end of the week, group the ads according to store type, type of sale, reason given for sale, and markdown percentage. What conclusions do you reach?

UNIT 7

Advertising and Selling

Goal: To learn ways to sell your merchandise and advertise your clothing store.

Objective 1: Pick one way to advertise your clothing store.

Objective 2: Design a printed ad for your clothing store.

THINK SMALL ADVERTISES

Joan was able to get her store organized and opened on time. The inventory shipments and the display equipment and furniture arrived on time; Joan and Peggy priced and tagged all the merchandise. Her grand opening sale was a smashing success. She and Peggy worked nonstop for three days--selling to customers during the day and recording the sales receipts at night. How did she manage to do this?

About three months before the store opened, Joan placed an ad in the Yellow Pages (the new Yellow Pages directory was scheduled to come out in September).

It's a Small World for Small People

And now there is a

store especially for you

THINK SMALL

Offering a select choice of small-sized clothes for the petite woman

Open 9:30 a.m. - 6:00 p.m.

Located at 1623 Telegraph Ave.

Downtown Oakland

Parking available

One week before the store opened, Joan placed ads in all the local newspapers announcing the Grand Opening of the Think Small store.

Advertising and Selling

Advertising is a quick and efficient way of telling shoppers about your store. Advertising will tell your customers about the merchandise you carry, about special events, store services, and special sales.

The purpose of advertising is to attract customers. When you have a store image, price range, and customer services, you are ready to tell customers why they should shop in your store.

What are the most effective ways to advertise your store? Take a good look at yourself and your customers. You may want to ask yourself these questions before you put your ad campaign together.

- How is my store different from my competition?
- What quality merchandise do I sell?
- What kind of store image do I want to advertise?
- What customer services do I offer?
- Who are my customers?
- What are their tastes?
- Why do they buy from me?

In this unit you will learn about the qualities of good advertising and choosing the best way to get your message across to your customers.

Choosing How to Advertise

Before you set up your advertising campaign, you should (1) identify the target customers you want to reach, and (2) decide how you can best get their attention.

There are advantages and disadvantages to the types of advertising media you can choose to tell people about your store.

Although direct mail is expensive for the number of people it reaches, it:

- can reach a selected audience (your target customers);
- is likely to be noticed and kept;
- is effective in announcing new products and/or services, welcoming new customers, and announcing special events and sales; and
- offers a variety of formats (catalogs, letters, fliers, coupons).

Newspapers are often used by suburban and small town store owners. Prices will vary depending on the newspaper's circulation and the size of your ad. Although newspaper ads run a short time, they:

- reach a large number of people;
- are inexpensive for the large number of people they reach;
- can be placed in a particular newspaper or sections of a paper to reach a certain audience; and
- can be used as classified ads, inserts to regular editions, or special editions such as shoppers' guides.

Radio ads can be effective for telling people about sales and other special store events. Radio advertising:

- is usually local;
- can be changed often;
- must be repeated often; and
- may be read live by the announcer or be taped in advance.

In addition, directories (such as the Yellow Pages) can be used to advertise your store. Directories usually offer little variety in the format of the ads, but they stay in the home for a long time and are frequently used by customers.

These are some of the ways stores tell the public about themselves. In addition, you may consider transit advertising for buses or trains, television advertising, and specialty advertising such as fashion shows,

calendars, T-shirts, balloons, buttons, and matches. You can also design a distinctive logo that can be printed on shopping bags and fliers.

Qualities of a Good Ad

Here are some tips you can use when you begin to work up your advertisements. They can help you put selling punch into your advertising. A good ad should be:

- simple, informative, and truthful as well as attractive and imaginative;
- easy to recognize (give your ads a consistent style);
- well illustrated (use good design to tell people about your store and the product you are selling); and
- persuasive--customers want to know, "What's in it for me?"

Have your ads feature merchandise that is in season, in fashion, and typical of your store. Specify brand merchandise whenever possible. State a price or range of prices. If prices are low, tell people why--because of sales or special purchases. Make sure your ad has your store's name, address, telephone number, and store hours.

Ads that stimulate prompt action are very effective. Put action in your words. Use terms your reader will understand. Get right to the point. Make every word count.

You may want to include discount coupons. Statement of limited quantities or announcing a limited time period for a special sale will also encourage people to act quickly.

Develop a logo--a distinctive sign--that can be identified with your store. That way your customers will be able to recognize an ad for your store at a single glance.

Costs

The local media (newspapers, radio stations, and direct mail printers) will tell you about their services, costs, and the results they offer for your money. In deciding on the best way to advertise, think about the cost of a single ad, the size of the audience, how many of those people are target customers, and how often they will see or hear the ad.

When you have calculated what types of ads you want to place and how much they will cost you, check your competitors' ads. Your decision on how much to spend for advertising will come down to, "How much can I afford to spend and still do the job that needs to be done?"

Summary

Advertising is not just another business expense--it is a way of building your sales. Whatever media you decide to use, your advertising campaign should be well planned, distinctive, and consistent with your store image.

There are many ways to advertise your store, including direct mailings, the Yellow Pages, newspapers, and the radio or television. Advertising is a means to an end, a way of telling people about your store. In planning your advertising campaign, you want to create a good business image as well as to increase your sales.

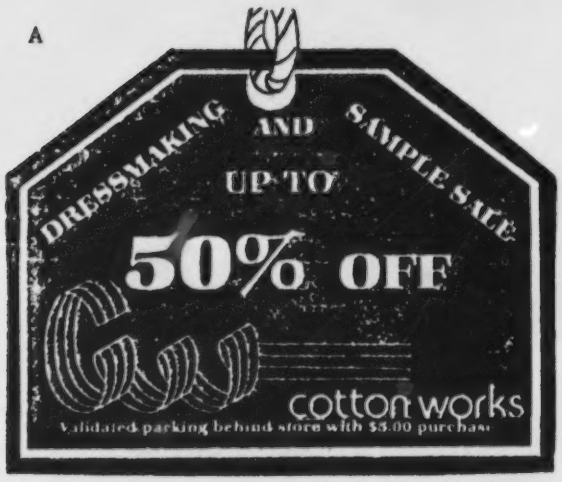
Individual Activities

1. List and compare the advantages of newspaper advertising and radio advertising.

2. List four ideas for sales or special features that would appeal to customers in clothing store ads.

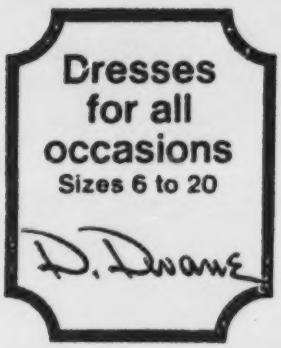
3. Look at these newspaper ads and answer the following questions.

A



B

C



D

a. Which ad includes the most information on special events? _____
b. Which ad is the most "personalized"? _____
c. Which ad is the least "personalized"? _____
d. Which ad gives the least information? _____
e. Which ad is the most distinctive? _____
f. Which ad gives you information about special events? _____
g. Which ad has the most distinctive logo? _____
h. Which ad identifies the store's target customers? _____

4. Look at Joan's ad for the Think Small store. Suggest ways to improve it.

5. Design another ad that Joan and Peggy can use to tell people about their Grand Opening sale.

Discussion Questions

1. Susan Manning owns and operates a very expensive and exclusive women's store. How would she best advertise her store and merchandise?

2. Discuss the advantages of advertising special promotions and sales in addition to a daily advertising campaign.

3. Brainstorm promotional techniques and some ways you can get free publicity for your store in the local media.

Group Activity

Bring in examples of ads that show men and women in stereotypical roles (i.e., women as housewives and mothers, and men as executives and professionals). Discuss the reasons why stereotyping frequently occurs in advertising.

UNIT 8

Keeping Financial Records

Goal: To help you learn how to keep financial records for your clothing store.

Objective 1: Fill out a customer sales receipt for a cash or credit sale.

Objective 2: Fill out a daily cash sheet for money you receive and pay out in one day.

FINANCIAL RECORDKEEPING AT THE "THINK SMALL" STORE

Peggy developed a bookkeeping system to record all sales and expenses for the Think Small store. She and Joan decided to keep a daily cash sheet. At the end of each day they totaled all sales (cash and credit), and recorded all the bills paid that day--salaries, inventory purchases, rent, and so on.

Peggy's bookkeeping system was simple. Each time a customer bought an item, the price tag was taken off. The sale was then rung up on the cash register. A sales slip was filled out describing the items purchased, quantity of each, the price, the tax, and the total amount paid by the customer.

Joan and Peggy also kept track of how the items were sold--either by cash or on credit. They soon found that more than half their sales were made with credit cards. It was a good thing they had arranged to honor credit cards with the major credit card companies!

One day, Joan and Peggy sold $590 worth of goods. Of that amount, $235 was in cash sales, and $355 was in credit sales. On that same day they paid $50 to the local newspaper that was running their store ads, $300 for the monthly rent, and the utility bill of $87.93. They also paid their phone bill of $62.18.

The daily cash register totals were used to double check the total amount Joan and Peggy got from adding up the sales slips. It was a lot of work, but it was paying off! Joan and Peggy knew each day how much money came into the store, how much money was paid out, and what inventory items were selling the fastest and needed to be reordered. The end of the day seemed full of bookkeeping chores. Actually, though, Joan and Peggy spent only an hour each day keeping track of their finances.

Keeping Financial Records

Good operations and good records go together. As a business owner, you must have a clear way to keep track of your income and expenses. You must begin way before you buy your initial inventory.

Good recordkeeping will help you plan well, quickly "red flag" problem areas, and file financial statements and tax information with local, state, and federal government agencies. In this section you will learn how to keep track of your sales on a day-to-day basis and how to fill out a daily cash sheet.

Cash Sales

To keep on top of sales you will need answers to questions such as these.

- How many sales were made?
- What types of items were sold, and how many of each?
- What was the total dollar amount of the sales?
- What credit terms were given to the customer?

Cash sales are usually recorded at the time of the sale when customers pay for their purchases. The salesperson will fill out a sales slip. These sales are rung up and recorded on a cash register.

Sales slip receipts and cash register tapes form the basis of any bookkeeping system. They will give you information on the total amount of sales for that day.

When a customer makes a purchase, he or she is given a sales slip. The sales slip provides the customer with proof of payment in case the

customer wants to return the purchase. A second copy of the sales slip is kept at the store. This is one way to keep track of store inventory.

This is a copy of the sales slip that Joan used in her Think Small store:

SALES SLIP

DATE _____

CUSTOMER _____

Description of Sale	Price	
Cash ☐ Subtotal		
Charge ☐ Sales Tax		
TOTAL		

On this sales slip, Joan records a description of the item sold. She keeps track of the price and the sales tax paid by the customer. In addition, Joan keeps a record of customers' names and adresses. This will be useful in developing a mailing list of special customers. There is also space to check whether the purchase was made by cash (money or check), or on credit.

Credit Sales

A credit sale usually involves a delayed payment until some future billing date. Most business experts advise against opening your own store charge accounts because it requires a lot of work and effort and will tie up a large amount of money. You will have to approve credit for your customers and will be responsible for billing, bookkeeping, and collecting payments. To avoid these problems, many small clothing stores honor major credit cards such as Visa or Master Card.

Credit cards are a popular way of buying. The major credit card companies "guarantee" payment of bills. This means the credit card company will pay the bill in full, whether or not the customer has paid the charges. The obvious advantages of this credit system are that: (1) it is a convenient service for the customer; (2) it reduces your risk of giving credit and not getting paid; and (3) your money is not tied up in unpaid bills.

This credit plan usually costs the business something. But in return for paying a percentage (usually 3% to 4%) of charged sales to the credit card company, you will receive immediate repayment. You are not responsible for any credit investigation, billing, bookkeeping, or collection chores. However, as a store owner you will have to consider whether you can afford the services of a credit card company, and whether this service will be a selling point in getting customers for your store.

Daily Cash Sheet

Joan and Peggy used a daily cash sheet to keep track of the money coming in and going out of their business each day. This is a way of recording the cash and credit sales for each day. On this form the sales are recorded on the left side of the form and are added up daily.

On the right side of the form you enter the money you paid out each day. These are the operating expenses of your store.

DAILY CASH SHEET			
Cash Receipts		Cash Payments	
Cash Sales	_____	Salaries	_____
Credit Accounts	_____	Building Expenses	_____
		Equipment and Furniture	_____
		Inventory or Supplies	_____
		Advertising	_____
		Other	_____
TOTAL CASH RECEIPTS	_____	TOTAL CASH PAYMENTS	_____

At the end of each month, or at the end of the year, these daily forms are added up. You will know the cost of goods, gross profits, operating expenses, and net profits. You will have detailed and accurate records to allow you to complete an income statement (also known as profit and loss statement). Profit and loss statements will be discussed in detail in the last unit of this module.

Summary

Keeping good financial records is a necessary part of owning and operating a clothing store. Cash and credit sales should be recorded on a sales slip. These sales slips will form the basis of a good bookkeeping system. Your bookkeeping system should involve keeping accurate and daily records of sales (money in) and operating expenses (money out). It will provide you with valuable information as to inventory and equipment needs, and will help you plan for the success of your clothing store.

Learning Activities

Individual Activities

1. Edna Johnson came into the Think Small store and bought two pairs of pants at $23.99 each, a blouse for $16.99, and a scarf for $3.99. The sales tax in California is 6 1/2%. She paid by personal check. Complete the sales receipt below:

SALES SLIP

DATE _____

CUSTOMER _____

Description of Sale	Price	
Cash ☐ Subtotal		
Sales Tax		
Charge ☐ TOTAL		

2. Fill out the sample sales ticket for the following situation. Use the sales tax figure for your area and the current date.

Wilda Hemlock bought the following items: one wedding dress, $232.00; one pair of satin slippers, $20.00; one veil and hat, $40.00; three bridesmaids' dresses, $36.00 per dress; three compacts, $3.98 per compact; two champagne glasses, $3.98 per glass; and one cake knife, $7.95. All of these items are to be delivered to the First United Methodist Church, Wesley Boulevard, Belltower, Oklahoma 73044. Wilda gave the salesperson correct change.

CLERK		DATE		
QUANT	DEPT	DESCRIPTION	$	¢
		TAX		
		TOTAL		
SIGN		AM'T REC'D		
PAID BY				
STREET				
CITY				
SEND TO				
STREET				
CITY				

3. Briefly describe a daily cash sheet and list the information it contains.

4. Complete a daily cash sheet for Joan and Peggy. Read the case study. How much money came into the store and how much was paid out on the day described at the beginning of this unit?

DAILY CASH SHEET	
Cash Receipts	Cash Payments
Cash Sales _____	Salaries _____
Credit Accounts _____	Building Expenses _____
	Equipment and Furniture _____
	Inventory or Supplies _____
	Advertising _____
	Other _____
TOTAL CASH RECEIPTS _____	TOTAL CASH PAYMENTS _____

Discussion Questions

1. What other types of financial records would the owner of a clothing store have to keep? (Think of other types of money dealings this business would have.)

2. Would the financial recordkeeping of another type of business, like an answering service, be different from that of a clothing store?

3. Discuss reasons why your store's cash flow should be calculated regularly.

Group Activity

Collect sample sales receipts from a number of clothing stores in your area. Compare them--how are they similar, and how are they different? What information do they record?

UNIT 9

Keeping Your Clothing Store Successful

Goal: To help you learn how to stay successful.

Objective 1: Given information about a store's income and expenses, complete a profit/loss statement.

Objective 2: State ways to increase profits.

Objective 3: Suggest a way to change your business to increase sales.

JOAN'S BUSINESS STAYS HEALTHY

A year has quickly come and gone. For the most part, it has been a very successful year for Joan Caldwell's Think Small store. After a slow start, the business started to grow. Customers have been coming in to her store. Business has been good. She has hired a second half-time salesperson and has reordered her inventory four times during the past year.

In fact, however, Joan is facing a serious problem. In order to attract customers to her store, she has had several major sales during the year and has expanded her initial inventory tremendously. Although this has increased her stock turnover rate, her net profit is not as high as it could be. Joan is afraid that if she discontinues the sales, the customers will stop coming to her store. But she also knows that if she continues this selling strategy, she will be in trouble financially within a short period of time.

Though she is still making money, this information is very disturbing. Joan decides she has to make some changes in order to keep the store's profits growing. Should she raise her prices? Are there things she can do to reduce her expenses?

Keeping Your Business Successful

There are three important ways to keep your business successful:

- make sure you have enough cash;
- keep your profits up and costs down; and
- improve or change your business practices when necessary.

In the last unit you learned how to keep track of cash on a day-to-day basis. Keeping careful records of your sales and expenses is a necessary step in determining profits. As you will see in this unit, a similar system can be used on a weekly, monthly, or yearly basis to keep track of your business. In this unit you will also learn ways of changing your business practices in order to increase sales and show more profit.

Keeping Track of Profits

Profit is the reward for your hard work. Profit is defined as the amount left over from your revenues (sales) after all your business expenses have been paid (profit = revenues - expenses). When you add all your figures for the whole year, as Joan did, you will come up with a profit/loss statement. A profit/loss (P/L) statement will tell you what your business has brought in during the year, how much you've spent, and how much profit you have made. Yearly P/L statements will tell you the direction your business is taking from year to year.

How to Prepare a Profit/Loss Statement

The profit/loss statement consists of five main parts:

- Revenues: the money coming into your store from retail cash and credit sales

- Cost of goods sold: the wholesale cost of your merchandise (including transportation charges) that has been sold
- Gross profit: the amount of money left over from retail sales after paying the wholesale costs of the items
- Expenses: all the money you spend operating your business. This includes employees' salaries, rent, utilities, supplies, advertising, and so on.
- Net profit: the amount left over from your gross profit after all the store's expenses have been paid. Net profit = gross profit - expenses.

Here is an example of a P/L statement. Simple round figures are included to show you how to fill out the form.

PROFIT/LOSS STATEMENT		
	19XX	
	$	%
Revenues		
Cash Sales	65,000	
Credit Sales	35,000	
TOTAL	100,000	100
Cost of Goods Sold[1]	58,000	58
Gross Profit	42,000	42
Expenses		
Employees' Salaries	15,000	
Building Expenses	5,000	
Supplies	1,000	
Advertising	2,500	
Other	5,000	
TOTAL	28,500	28.5
Net Profit (before taxes)	13,500	13.5

[1]

Beginning Inventory (inventory at beginning of year)	$20,000
+ Purchases (inventory purchased during the year)	+67,000
	87,000
- Ending Inventory	-29,000
Cost of Goods Sold	$58,000

Two Year Profit/Loss Statement

If you want to compare your income and expenses for two years, you may use a form like this:

TWO-YEAR PROFIT/LOSS STATEMENT				
	Year 1		Year 2	
	$	%	$	%
Revenues				
Cash Sales	_____		_____	
Credit Sales	_____		_____	
TOTAL	_____	100%	_____	100%
Cost of Goods Sold	_____	____	_____	____
Gross Profit	_____	____	_____	____
Expenses				
Employees' Salaries	_____		_____	
Building Expenses	_____		_____	
Supplies	_____		_____	
Advertising	_____		_____	
Other	_____		_____	
TOTAL	_____	____	_____	____
Net Profit (before taxes)	_____	____	_____	____

You can record your figures in both dollars and percentages of total sales. Percentages (such as profit and expense ratios) make it easy to compare the performance of your store last year with its performance this year.

The information on your P/L statement can be used to calculate the profit ratio and the expense ratio of your store. You can use the following formulas to compute these ratios:

$$\text{Profit ratio} = \frac{\text{Net profit}}{\text{Revenues}}$$

$$\text{Expense ratio} = \frac{\text{Expenses}}{\text{Revenues}}$$

Improving Profits

If you feel your profits are too low or that your store is not growing quickly enough, you can try to improve your business. These are three basic ways to increase profits in any business:

- increase number of items sold;
- raise prices; or
- reduce expenses.

Changing Your Business to Increase Sales

Profits and sales may be lagging for any one of a number of reasons. You must try to find out why your sales are down before you decide what to do. There are two ways to go about increasing sales in order to raise your profits:

- improve the quality of your service and the decor of your store;
- change the merchandise you sell; or
- do more advertising.

Depending on your sales problems, there are many changes you might consider for your clothing store. One action step may be to change the image of your store. You may consider a new theme, and a new advertising and promotion campaign. Your new inventory will reflect your new store image. You will also have to identify your new target customers.

It is important to keep up with new trends. Look out for changes and try to stay on top of them. Sometimes the change is with customers. For example, fashions and tastes may shift. Sometimes changes are technological. New materials are put on the market. A few years ago clothes made of polyester fabrics were fashionable. Now, however, clothes made of "pure fabrics"--cotton and wool--are more in style.

In order to adjust to changes, a clothing store owner must be alert to fashion trends and customer tastes. To get this information, ask your customers and salespeople for suggestions on how your store can be improved. You might need to improve your relations with your customers and staff. You may have to change your pricing policies to make you more competitive with other stores in the area. Another action step might be to find and hire more capable salespersons.

Look at your community and competition. Read the trade papers and magazines in your line of business. Is your inventory appropriate for your target customers? Are you advertising in the right places? Are there any ways you can cut down on operating expenses without losing customers?

Summary

You can calculate your store's profits and compare them year-to-year by recording income and expenses on a profit/loss statement. If you want to increase profits you must increase sales, raise prices, or reduce your operating expenses.

Today, more than ever, price-conscious customers are buying carefully and holding back on spending until the right item is found at the right price. But an efficient and imaginative store owner who is in touch with customer tastes can be successful in the clothing store business. By maintaining a distinctive store image and a reputation for quality, a small clothing store can always attract shoppers who are looking for "something special" to wear.

Learning Activities

Individual Activities

1. You can increase your sales by changing your business practices. List three ways a store can increase its sales. What is one way of increasing profits?

2. Define net profit and compare it with what is meant by the term gross profit.

3. What disadvantages are there to raising the prices of your merchandise as a way of improving profits?

4. List some actions a clothing store may take to reduce expenses.

Discussion Questions

1. Joan's store seems to be successful, and her stock turnover is high. Why is she concerned about her net profit?

2. Brainstorm actions Joan can take to increase her net profit.

3. List as many reasons you can think of why sales and profit in a clothing store might decline.

Group Activity

As a class, write down a list of at least 30 different activities that you would have to do if you were an owner of a clothing store. Here are some examples to help you get started.

- Check out several places for the best location.
- Decide on the image of your store. What type of clothes will you sell?
- Describe the furniture and equipment you will need.
- Interview people and hire employees.

After you have your list, see how you feel about doing each of these things. Give yourself three points if you think you would enjoy doing that activity, two points if you wouldn't mind doing it, one point if you would do it but wouldn't like it, and zero if you wouldn't do it no matter what! There are no right or wrong answers. It doesn't matter how many points you get. This is an exercise to help you see if owning a clothing store might be for you.

SUMMARY

This module has been about owning an apparel store. People with training in merchandising can start apparel stores. They can run a specialty shop or a general apparel store.

To start a small apparel store, you need to do lots of planning. First you have to be sure that owning a small business is right for you. Then you have to decide what services to offer, how to compete, and what legal requirements to meet.

To pick a good location, you have to find out if your target customers would come to your store. Then you have to get money to start. That means showing a banker that your idea is a good one.

Being in charge means hiring good workers and training them to be effective salespeople. You should keep track of customer shopping schedules so you can efficiently schedule part-time help.

Setting prices means figuring out the lowest price you can charge and also the highest price. To do this you need information on your expenses and on your competition's prices.

Advertising and selling are the ways you get customers. Your business can sponsor civic activities to promote your business image. These are all important ways to help your business succeed.

You should keep good financial records so you will know how the business is doing. Then you can decide if you can expand your business or if you need to cut it back.

In order to own and operate a successful apparel store, you need training in merchandising, work experience, and the special business management skills we have covered in this module. If you have not had a course in fashion merchandising, you should take one before deciding to own an apparel store. You can learn business management skills through business classes, experience, or by using the advice and example of an expert.

You may not make a lot of money by owning an apparel store. However, you will have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own apparel store.

QUIZ

1. Your chances of pleasing your store's customers are greatly increased if you
   a. carry as many different products as possible.
   b. zero in on a target customer.
   c. constantly change your store image.
   d. expand to include many different types of customers.

2. List three personal qualities an owner of a clothing store should have:
   a.
   b.
   c.

3. List three things an owner of a clothing store can do to become successful:
   a.
   b.
   c.

4. List two legal requirements you will have to meet to open your clothing store:
   a.
   b.

5. When you choose a spot for your clothing store, you should consider:
   a. parking.
   b. where your customers live.
   c. the number of people who walk by the area.
   d. where your competition is located.

6. List three other things to consider when you locate your clothing store:

   a.

   b.

   c.

7. Information that <u>does not</u> need to be included in your business plan is

   a. the number of employees you plan to hire.

   b. the target customers.

   c. a complete inventory and merchandise list.

   d. your management and advertising plan.

8. Bob Garcia's starting expenses for his new family clothing store are $43,000. He had $7,000 of his own to invest and $10,000 from his family and friends. How much money will Bob need to borrow?

9. The written job description should be considered as

   a. an informal agreement between the employer and the employee.

   b. a writing exercise with no value in the real world.

10. The following people applied for the salesperson job in John Kahn's Western Style clothing store. On the basis of John's interview notes, which person was the <u>least</u> qualified?

    a. Thelma Hutton, 3 years of experience, attractive appearance and good listener

    b. David Mower, 1 year sales experience in the computer field, good first impression but references suggest that he needs constant supervision

    c. Clarence Minor, previous experience with an advertising firm, chain smoker and untidy appearance

    d. Susan Barkow, outgoing and lively, recent high school graduate, good listener but very nervous

11. List the five basic steps in selling merchandise.

    a.

    b.

    c.

    d.

    e.

12. What factor is <u>least</u> important in selecting suppliers for your store?

    a. Prices and discounts

    b. Quality of the merchandise

    c. Reliability

    d. Location near your store

13. List the two types of information a good inventory control system will give you.

    a.

    b.

14. A basic factor in choosing a supplier for your store is

    a. the supplier's location.

    b. the supplier's reputation for reliability.

    c. the number of salespeople out in the field.

    d. the supplier's own truck delivery service.

15. A sporting goods store owner bought a year's supply of 500 bathing suits at $7.00 apiece. He sold them in his store at $15.00 apiece. By the end of the summer, however, he had only sold 390 suits. The remaining suits were returned to the supplier for a full refund. What is this store owner's <u>gross profit</u> on the bathing suits by the end of the summer?

    a. $1,350

    b. $1,500

    c. $3,120

    d. $3,500

16. List three advertising methods that can be used to reach local shoppers.

a.

b.

c.

17. Which one of these suggestions would be <u>least</u> effective in designing your store ad?

a. Include a paragraph describing the outstanding qualities of your store

b. Put action into your words

c. Include a distinctive logo or design

d. Mention sales and special offers

18. List four types of information included on a customer sales receipt.

a.

b.

c.

d.

19. Which of the following information does a daily cash sheet include?

a. Cash sales and payments

b. Cash sales, payments, and profits

c. Cash sales, payments, and debts

d. Cash sales, payments, profits, and debts

20. Dan's first-year records show total sales of $250,000, total expenses of $100,000, and net profit of $50,000. Compute the following.

Profit Ratio = _____

Expense Ratio = _____

21. Dan's profits go down in his second year. List three things he can do to increase profits.

a.

b.

c.

22. List two things Dan can do to increase sales.

a.

b.

GPO 791-663/248

PROJECT PRODUCTS

Entrepreneurship Training Components

Vocational Discipline	Module Number and Title
General	Module 1 - Getting Down to Business: What's It All About?
Agriculture	Module 2 - Farm Equipment Repair
	Module 3 - Tree Service
	Module 4 - Garden Center
	Module 5 - Fertilizer and Pesticide Service
	Module 6 - Dairy Farming
Marketing and Distribution	Module 7 - Apparel Store
	Module 8 - Specialty Food Store
	Module 9 - Travel Agency
	Module 10 - Bicycle Store
	Module 11 - Flower and Plant Store
	Module 12 - Business and Personal Service
	Module 13 - Innkeeping
Health	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spa
Business and Office	Module 17 - Answering Service
	Module 18 - Secretarial Service
	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
Occupational Home Economics	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - Housecleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
Technical	Module 27 - Guard Service
	Module 28 - Pest Control Service
	Module 29 - Energy Specialist Service
Trades and Industry	Module 30 - Hair Styling Shop
	Module 31 - Auto Repair Shop
	Module 32 - Welding Business
	Module 33 - Construction Electrician Business
	Module 34 - Carpentry Business
	Module 35 - Plumbing Business
	Module 36 - Air Conditioning and Heating Service

Related Resources

Resource Guide of Existing Entrepreneurship Materials

Handbook on Utilization of the Entrepreneurship Training Components